

**QUARTERLY STATEMENT**  
**OF THE**  
**Preferred Health Partnership of Tennessee, Inc.**

**of**  
**Knoxville**  
**in the state of**  
**Tennessee**

**TO THE**  
**Insurance Department**  
**OF THE STATE OF**  
**Tennessee**

**FOR THE QUARTER ENDED**  
**March 31, 2006**

**2006**



QUARTERLY STATEMENT  
AS OF March 31, 2006  
OF THE CONDITION AND AFFAIRS OF THE  
Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code	1253 (Current Period)	1253 (Prior Period)	NAIC Company Code	95749	Employer's ID Number	62-1546662
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[ ] Dental Service Corporation[ ] Other[ ]		Property/Casualty[ ] Vision Service Corporation[ ] Is HMO Federally Qualified? Yes[X] No[ ] N/A[ ]		Hospital, Medical & Dental Service or Indemnity[ ] Health Maintenance Organization[X]	
Incorporated/Organized	01/01/1994		Commenced Business	01/01/1994		
Statutory Home Office	1420 Centerpoint Blvd. (Street and Number)		Knoxville , TN 37932 (City, or Town, State and Zip Code)			
Main Administrative Office			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Mail Address	1420 Centerpoint Blvd. (Street and Number or P.O. Box)		Knoxville, TN 37932 (City, or Town, State and Zip Code)			
Primary Location of Books and Records			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City, or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Internet Website Address						
Statutory Statement Contact	Melissa R Anderson (Name)		(865)670-7282 (Area Code)(Telephone Number)(Extension)			
	manders1@covhlth.com (E-Mail Address)		(865)470-7461 (Fax Number)			
Policyowner Relations Contact			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City, or Town, State and Zip Code)		(865)470-7470 (Area Code) (Telephone Number)(Extension)			

OFFICERS

Name	Title
Lance K. Hunsinger	President
Jeffery S. Collake	Chief Financial Officer
Jeffery S. Collake	Secretary

OTHERS

DIRECTORS OR TRUSTEES

Kenneth Truman Creed Michael McKay Dudley Randolph Murphree Lowry MD Cletus Joseph McMahon Jr. MD David A. Nowiski Anthony L. Spezia Sandra L. Mathy	Thomas Rowe Bell Daniel J. David MD Marvin H. Eichorn Kenneth Frederick Luckman MD Michael Earl Mitchell MD Francis H. Olmstead Jr. Dean M. Turner MD
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State of Tennessee  
County of Knox ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Lance K. Hunsinger	Jeffery S. Collake	Jeffery S. Collake
(Printed Name)	(Printed Name)	(Printed Name)
President	Chief Financial Officer	Secretary
(Title)	(Title)	(Title)

Subscribed and sworn to before me this	a. Is this an original filing?	Yes[X] No[ ]
day of , 2006	b. If no,	
	1. State the amendment number	
	2. Date filed	
	3. Number of pages attached	

(Notary Public Signature)

ASSETS

		Current Statement Date			4
		1	2	3	
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31, Prior Year Net Admitted Assets
1.	Bonds .....	50,376,615		50,376,615	56,091,973
2.	Stocks:				
2.1	Preferred stocks .....				
2.2	Common stocks .....				
3.	Mortgage loans on real estate:				
3.1	First liens .....				
3.2	Other than first liens .....				
4.	Real estate:				
4.1	Properties occupied by the company (less \$..... encumbrances) .....				
4.2	Properties held for the production of income (less \$..... encumbrances) .....				
4.3	Properties held for sale (less \$..... encumbrances) .....				
5.	Cash (\$.....373,583), cash equivalents (\$.....7,250,000) and short-term investments \$.....801,579) .....	8,425,162		8,425,162	1,798,632
6.	Contract loans (including \$..... premium notes) .....				
7.	Other invested assets .....				
8.	Receivables for securities .....				
9.	Aggregate write-ins for invested assets .....				
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....	58,801,777		58,801,777	57,890,605
11.	Title plants less \$..... charged off (for Title insurers only) .....				
12.	Investment income due and accrued .....	622,700		622,700	846,216
13.	Premiums and considerations:				
13.1	Uncollected premiums and agents' balances in the course of collection .....				
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums) .....				
13.3	Accrued retrospective premiums .....				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers .....				
14.2	Funds held by or deposited with reinsured companies .....				
14.3	Other amounts receivable under reinsurance contracts .....				
15.	Amounts receivable relating to uninsured plans .....				
16.1	Current federal and foreign income tax recoverable and interest thereon .....				
16.2	Net deferred tax asset .....				
17.	Guaranty funds receivable or on deposit .....				
18.	Electronic data processing equipment and software .....				
19.	Furniture and equipment, including health care delivery assets (\$.....) .....				
20.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
21.	Receivables from parent, subsidiaries and affiliates .....	285,888	36,464	249,424	253,701
22.	Health care (\$.....) and other amounts receivable .....				
23.	Aggregate write-ins for other than invested assets .....				37,510
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	59,710,365	36,464	59,673,901	59,028,032
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26.	TOTAL (Lines 24 and 25) .....	59,710,365	36,464	59,673,901	59,028,032
DETAILS OF WRITE-INS					
0901.	.....				
0902.	.....				
0903.	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page .....				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....				
2301.	A/R Risk Share .....				
2302.	A/R State Admin .....				37,510
2303.	.....				
2398.	Summary of remaining write-ins for Line 23 from overflow page .....				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....				37,510

**LIABILITIES, CAPITAL AND SURPLUS**

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded) .....				
2.	Accrued medical incentive pool and bonus amounts .....				
3.	Unpaid claims adjustment expenses .....				
4.	Aggregate health policy reserves .....	6,732,000		6,732,000	6,732,000
5.	Aggregate life policy reserves .....				
6.	Property/casualty unearned premium reserve .....				
7.	Aggregate health claim reserves .....				
8.	Premiums received in advance .....				
9.	General expenses due or accrued .....	6,047,221		6,047,221	5,246,539
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized gains (losses)) .....				
10.2	Net deferred tax liability .....				
11.	Ceded reinsurance premiums payable .....				
12.	Amounts withheld or retained for the account of others .....				
13.	Remittances and items not allocated .....				
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current) .....				
15.	Amounts due to parent, subsidiaries and affiliates .....	850,024		850,024	215,985
16.	Payable for securities .....				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers) .....				
18.	Reinsurance in unauthorized companies .....				
19.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
20.	Liability for amounts held under uninsured plans .....				
21.	Aggregate write-ins for other liabilities (including \$..... current) .....	11,488,605		11,488,605	11,488,605
22.	Total liabilities (Lines 1 to 21) .....	25,117,850		25,117,850	23,683,129
23.	Aggregate write-ins for special surplus funds .....	X X X	X X X		
24.	Common capital stock .....	X X X	X X X	1,000	1,000
25.	Preferred capital stock .....	X X X	X X X		
26.	Gross paid in and contributed surplus .....	X X X	X X X	61,379,848	61,379,848
27.	Surplus notes .....	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
29.	Unassigned funds (surplus) .....	X X X	X X X	(26,824,797)	(26,035,945)
30.	Less treasury stock, at cost:				
30.1	..... shares common (value included in Line 24 \$.....)	X X X	X X X		
30.2	..... shares preferred (value included in Line 25 \$.....)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30) .....	X X X	X X X	34,556,051	35,344,903
32.	Total Liabilities, capital and surplus (Lines 22 and 31) .....	X X X	X X X	59,673,901	59,028,032
DETAILS OF WRITE-INS					
2101.	Accrued Run-Out Costs .....	11,488,605		11,488,605	11,488,605
2102.	Grier Decree Accrual .....				
2103.	Reserve for Transplants .....				
2198.	Summary of remaining write-ins for Line 21 from overflow page .....				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....	11,488,605		11,488,605	11,488,605
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page .....	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	X X X	X X X		
2801.	.....	X X X	X X X		
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page .....	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above) .....	X X X	X X X		

**STATEMENT OF REVENUE AND EXPENSES**

		Current Year To Date		Prior Year To Date
		1	2	3
		Uncovered	Total	Total
1.	Member Months .....	X X X .....	326,650	391,621
2.	Net premium income (including \$..... non-health premium income) .....	X X X .....		
3.	Change in unearned premium reserves and reserves for rate credits .....	X X X .....		
4.	Fee-for-service (net of \$..... medical expenses) .....	X X X .....		
5.	Risk revenue .....	X X X .....		
6.	Aggregate write-ins for other health care related revenues .....	X X X .....		
7.	Aggregate write-ins for other non-health revenues .....	X X X .....	1	655,716
8.	Total revenues (Lines 2 to 7) .....	X X X .....	1	655,716
<b>Hospital and Medical:</b>				
9.	Hospital/medical benefits .....		2,151	15
10.	Other professional services .....		(1,214)	1,542
11.	Outside referrals .....			
12.	Emergency room and out-of-area .....		40	293
13.	Prescription drugs .....			
14.	Aggregate write-ins for other hospital and medical .....		(171,820)	(128,698)
15.	Incentive pool, withhold adjustments and bonus amounts .....			
16.	Subtotal (Lines 9 to 15) .....		(170,843)	(126,848)
<b>Less:</b>				
17.	Net reinsurance recoveries .....			
18.	Total hospital and medical (Lines 16 minus 17) .....		(170,843)	(126,848)
19.	Non-health claims (net) .....			
20.	Claims adjustment expenses, including \$.....291,519 cost containment expenses .....		543,356	133,578
21.	General administrative expenses .....		1,429,473	279,201
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) .....			
23.	Total underwriting deductions (Lines 18 through 22) .....		1,801,986	285,931
24.	Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X .....	(1,801,985)	369,785
25.	Net investment income earned .....		587,365	568,517
26.	Net realized capital gains (losses) less capital gains tax of \$.....		19,389	87,211
27.	Net investment gains or (losses) (Lines 25 plus 26) .....		606,754	655,728
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] .....			
29.	Aggregate write-ins for other income or expenses .....			
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X .....	(1,195,231)	1,025,513
31.	Federal and foreign income taxes incurred .....	X X X .....	(406,378)	
32.	Net income (loss) (Lines 30 minus 31) .....	X X X .....	(788,853)	1,025,513
<b>DETAILS OF WRITE-INS</b>				
0601.	.....	X X X .....		
0602.	.....	X X X .....		
0603.	.....	X X X .....		
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	X X X .....		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X .....		
0701.	Other Revenue .....	X X X .....	1	655,716
0702.	.....	X X X .....		
0703.	.....	X X X .....		
0798.	Summary of remaining write-ins for Line 7 from overflow page .....	X X X .....		
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	X X X .....	1	655,716
1401.	Recoveries .....		(171,820)	(128,698)
1402.	.....			
1403.	.....			
1498.	Summary of remaining write-ins for Line 14 from overflow page .....			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....		(171,820)	(128,698)
2901.	.....			
2902.	.....			
2903.	.....			
2998.	Summary of remaining write-ins for Line 29 from overflow page .....			
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) .....			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2	3
		Current Year To Date	Prior Year To Date	Prior Year
CAPITAL & SURPLUS ACCOUNT				
33.	Capital and surplus prior reporting year .....	35,344,903	22,279,577	26,260,630
34.	Net income or (loss) from Line 32 .....	(788,853)	761,224	9,122,977
35.	Change in valuation basis of aggregate policy and claim reserves .....			
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....			
37.	Change in net unrealized foreign exchange capital gain or (loss) .....			
38.	Change in net deferred income tax .....			
39.	Change in nonadmitted assets .....		(5,275,894)	0
40.	Change in unauthorized reinsurance .....			
41.	Change in treasury stock .....			
42.	Change in surplus notes .....			
43.	Cumulative effect of changes in accounting principles .....			
44.	Capital Changes:			
44.1	Paid in .....			
44.2	Transferred from surplus (Stock Dividend) .....			
44.3	Transferred to surplus .....			
45.	Surplus adjustments:			
45.1	Paid in .....			
45.2	Transferred to capital (Stock Dividend) .....			
45.3	Transferred from capital .....			
46.	Dividends to stockholders .....			
47.	Aggregate write-ins for gains or (losses) in surplus .....			(38,703)
48.	Net change in capital and surplus (Lines 34 to 47) .....	(788,853)	(4,514,670)	9,084,273
49.	Capital and surplus end of reporting period (Line 33 plus 48) .....	34,556,050	17,764,907	35,344,903
DETAILS OF WRITE-INS				
4701.	Change in Unrealized Valuation .....			(38,703)
4702.	.....			
4703.	.....			
4798.	Summary of remaining write-ins for Line 47 from overflow page .....			
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....			(38,703)

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	0	0	0
<b>REVENUES:</b>			
1. TennCare Capitation	0	0	0
2. Investment	606,754	606,754	2,309,007
3. Other Revenue	1	1	655,716
State Admin Revenue	0	0	4,167,015
4. TOTAL REVENUES (Lines 1 to 3)	606,755	606,755	7,131,738
<b>EXPENSES:</b>			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	0
6. Fee-For-Service Physician Services	1,389	1,389	0
7. Inpatient Hospital Services	662	662	(997,145)
8. Outpatient Services	0	0	0
9. Emergency Room Services	39	39	0
10. Mental Health Services	0	0	0
11. Dental Services (Capitated & FFS)	0	0	0
12. Vision Services (Capitated , FFS & Opthamology)	0	0	0
13. Pharmacy Services (Capitated & FFS)	0	0	(107,784)
14. Home Health Services	0	0	0
15. Chiropractic Services	0	0	0
16. Radiology Services	0	0	0
17. Laboratory Services	101	101	0
18. Durable Medical Equipment Services	0	0	0
19. Transportation Services (Capitated)	0	0	0
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. <b>Other Medical and Hospital Services (Provide Detail)</b>			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	(1,508)	(1,508)	0
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	0	0	0
Anesthesiology - FFS Hosp & Other	0	0	0
Gastroenterology	0	0	0
Preventive Medicine	293	293	0
Ped Emergency Medicine - FFS Hospital	0	0	0
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	976	976	(1,104,929)
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:	0		
26. Copayments	0	0	0
27. Subrogation	0	0	0
27a Recoveries	171,820	171,820	636,887
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	171,820	171,820	636,887
30. <b>TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)</b>	(170,844)	(170,844)	(1,741,816)

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration:			
31. Compensation (Including Allocated Costs)	2,148,872	2,148,872	9,538,794
32. Marketing (Including Allocated Costs)	833	833	3,106
33. Premium Tax Expense	73,782	73,782	369,197
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	168,692	168,692	720,997
35. Other Administration (Provide detail)			
Printing	24,831	24,831	66,052
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	65,591	65,591	249,715
Legal Fees	8,924	8,924	46,540
Liquidated Damages	0	0	600,000
Outside Services	94,996	94,996	469,798
Board & Committee Fees	0		
Auditing, actuarial and other consulting services	0		
Books & Subscriptions	0	0	3,038
Dues, Fees & Licenses	54,835	54,835	971
Education & Seminars	0	0	0
Meals & Entertainment	222	222	397
Office Supplies	747	747	1,533
Minor Equipment	0		
Travel	41	41	99
Wellness Program	0		
Leases & Rentals of equipment	0		
Repairs/Maintenance Agreements	0	0	52,851
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	46,652	46,652	52,473
Provision for Loss Contracts	0		
Risk Banding Reserve	0		
Program Run Out Expense	0		
State Admin Revenue	(3,127,822)	(3,127,822)	(14,292,822)
Miscellaneous Expense	248,132	248,132	(6,303,471)
Total DIRECT Expenses	(190,671)	(190,671)	(8,420,732)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	118,907	118,907	623,199
Printing	24,411	24,411	67,025
Postage	111,282	111,282	274,158
Legal Fees	79,148	79,148	142,550
Outside Services	537,649	537,649	2,364,908
Board & Committee Fees	23,967	23,967	95,293
Survey Fees	41,105	41,105	29,158
Telephone/Beepers/Cellular Phones	86,968	86,968	210,955
Books & Subscriptions	10,808	10,808	97,744
Minor Equipment	4,872	4,872	141,998
Computer Supplies	0	0	0
Dues, Fees & Licenses	173,332	173,332	134,119
Education & Seminars	11,213	11,213	71,989
Meals & Entertainment	5,192	5,192	27,882
Office Supplies	25,847	25,847	92,808
Travel	12,425	12,425	74,266
Miscellaneous Expense	35,835	35,835	170,522
Franchise, Excise & Property Taxes & Sales/Use Tax	41,987	41,987	84,085
Insurance	74,655	74,655	422,230
Leases & Rentals of equipment	15,093	15,093	98,157
Repairs/Maintenance Agreements	192,131	192,131	630,515
Relocation Expense Total	0	0	2,130
Training and Orientation Total	0	0	0
Temp/Contract Personnel	62,423	62,423	404,890
Covenant Management Fees	474,249	474,249	2,160,152
Total ALLOCATED Expenses	2,163,501	2,163,501	8,420,733
36. TOTAL ADMINISTRATION (Lines 31 to 36)	1,972,830	1,972,830	1
FIT & Excise Tax	(406,378)	(406,378)	(249,424)
37. Total Other Expenses:	(406,378)	(406,378)	(249,424)
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	1,395,608	1,395,608	(1,991,239)
39. NET INCOME (LOSS) (Line 4 less Line 38)	(788,853)	(788,853)	9,122,977



Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	326,650	326,650	1,498,890
<b>REVENUES:</b>			
1. TennCare Capitation	42,512,774	42,512,774	211,259,842
2. Investment	3,006	3,006	13,493
3. Other Revenue			
IBNR / Capitation Revenue Receivable	29,086,355	29,086,355	31,396,233
Premium Tax	(35,045)	(35,045)	3,206,410
4. TOTAL REVENUES (Lines 1 to 3)	71,567,090	71,567,090	245,875,979
<b>EXPENSES:</b>			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	1,082,369
6. Fee-For-Service Physician Services	7,992,299	7,992,299	23,650,807
7. Inpatient Hospital Services	41,652,821	41,652,821	142,355,810
8. Outpatient Services	15,580	15,580	68,002
9. Emergency Room Services	4,487,704	4,487,704	12,722,130
10. Mental Health Services	4,084	4,084	78,931
11. Dental Services (Capitated & FFS)	153	153	3,471
12. Vision Services (Capitated , FFS & Opthamology)	184,424	184,424	879,021
13. Pharmacy Services (Capitated & FFS)	(4,267)	(4,267)	(10,448)
14. Home Health Services	95,076	95,076	401,652
15. Chiropractic Services	0		
16. Radiology Services	86,038	86,038	180,221
17. Laboratory Services	9,392,883	9,392,883	32,643,097
18. Durable Medical Equipment Services	2,516,595	2,516,595	8,520,223
19. Transportation Services (Capitated)	1,085,611	1,085,611	4,817,145
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. <b>Other Medical and Hospital Services (Provide Detail)</b>			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	1,618,735	1,618,735	7,636,968
Counselors/Therapists	0		
Otolaryngology - FFS Office	393,251	393,251	1,494,984
Anesthesiology - FFS Hosp & Other	707,888	707,888	3,464,740
Gastroenterology	6,610	6,610	68,053
Preventive Medicine	698,832	698,832	3,362,278
Ped Emergency Medicine - FFS Hospital	0		
Miscellaneous	17,287	17,287	136,318
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	70,951,604	70,951,604	243,555,774
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:	0		
26. Copayments	0	0	0
27. Subrogation	125,488	125,488	741,975
27a Recoveries	109,341	109,341	1,231,453
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	234,830	234,830	1,973,427
30. <b>TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)</b>	70,716,775	70,716,775	241,582,346

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration:			
31. Compensation (Including Allocated Costs)	0	0	0
32. Marketing (Including Allocated Costs)	0	0	0
33. Premium Tax Expense	850,316	850,316	4,293,632
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	0	0	0
35. Other Administration (Provide detail)			
Printing	0	0	0
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	0	0	0
Legal Fees	0	0	0
Liquidated Damages	0	0	0
Outside Services	0	0	0
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	0	0	0
Dues, Fees & Licenses	0	0	0
Education & Seminars	0	0	0
Meals & Entertainment	0	0	0
Office Supplies	0	0	0
Minor Equipment	0	0	0
Travel	0	0	0
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	0	0
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	0	0	0
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	0
Program Run Out Expense	0	0	0
Miscellaneous Expense	0	0	0
Total DIRECT Expenses	850,316	850,316	4,293,632
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	0	0	0
Printing	0	0	0
Postage	0	0	0
Legal Fees	0	0	0
Outside Services	0	0	0
Board & Committee Fees	0	0	0
Survey Fees	0	0	0
Telephone/Beepers/Cellular Phones	0	0	0
Books & Subscriptions	0	0	0
Minor Equipment	0	0	0
Computer Supplies	0	0	0
Dues, Fees & Licenses	0	0	0
Education & Seminars	0	0	0
Meals & Entertainment	0	0	0
Office Supplies	0	0	0
Travel	0	0	0
Miscellaneous Expense	0	0	0
Franchise, Excise & Property Taxes & Sales/Use Tax	0	0	0
Insurance	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	0	0
Relocation Expense Total	0	0	0
Training and Orientation Total	0	0	0
Temp/Contract Personnel	0	0	0
Covenant Management Fees	0	0	0
Total ALLOCATED Expenses	0	0	0
36. TOTAL ADMINISTRATION (Lines 31 to 36)	850,316	850,316	4,293,632
FIT & Excise Tax	0	0	0
37. Total Other Expenses:	0	0	0
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	71,567,090	71,567,090	245,875,979
39. NET INCOME (LOSS) (Line 4 less Line 38)	0	0	0

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	326,650	326,650	1,498,890
REVENUES:			
1. TennCare Capitation	42,512,774	42,512,774	211,259,842
2. Investment	609,760	609,760	2,322,500
3. Other Revenue	1	1	655,716
State Admin Revenue	0	0	4,167,015
IBNR / Capitation Revenue Receivable	29,086,355	29,086,355	31,396,233
Premium Tax	(35,045)	(35,045)	3,206,410
4. TOTAL REVENUES (Lines 1 to 3)	72,173,845	72,173,845	253,007,716
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	1,082,369
6. Fee-For-Service Physician Services	7,993,688	7,993,688	23,650,807
7. Inpatient Hospital Services	41,653,483	41,653,483	141,358,665
8. Outpatient Services	15,580	15,580	68,002
9. Emergency Room Services	4,487,743	4,487,743	12,722,130
10. Mental Health Services	4,084	4,084	78,931
11. Dental Services (Capitated & FFS)	153	153	3,471
12. Vision Services (Capitated , FFS & Opthamology)	184,424	184,424	879,021
13. Pharmacy Services (Capitated & FFS)	(4,267)	(4,267)	(118,232)
14. Home Health Services	95,076	95,076	401,652
15. Chiropractic Services	0	0	0
16. Radiology Services	86,038	86,038	180,221
17. Laboratory Services	9,392,984	9,392,984	32,643,097
18. Durable Medical Equipment Services	2,516,595	2,516,595	8,520,223
19. Transportation Services (Capitated)	1,085,611	1,085,611	4,817,145
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	1,617,227	1,617,227	7,636,968
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	393,251	393,251	1,494,984
Anesthesiology - FFS Hosp & Other	707,888	707,888	3,464,740
Gastroenterology	6,610	6,610	68,053
Preventive Medicine	699,125	699,125	3,362,278
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	17,287	17,287	136,318
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	70,952,580	70,952,580	242,450,843
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:			
26. Copayments	0	0	0
27. Subrogation	125,488	125,488	741,975
27a Recoveries	281,161	281,161	1,868,340
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	406,649	406,649	2,610,315
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	70,545,931	70,545,931	239,840,528

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration:			
31. Compensation (Including Allocated Costs)	2,148,872	2,148,872	9,538,794
32. Marketing (Including Allocated Costs)	833	833	3,106
33. Premium Tax Expense	924,098	924,098	4,662,829
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	168,692	168,692	720,997
35. Other Administration (Provide detail)	0		
Printing	24,831	24,831	66,052
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	65,591	65,591	249,715
Legal Fees	8,924	8,924	46,540
Liquidated Damages	0	0	600,000
Outside Services	94,996	94,996	469,798
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	0	0	3,038
Dues, Fees & Licenses	54,835	54,835	971
Education & Seminars	0	0	0
Meals & Entertainment	222	222	397
Office Supplies	747	747	1,533
Minor Equipment	0	0	0
Travel	41	41	99
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	0	52,851
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	46,652	46,652	52,473
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	0
Program Run Out Expense	0	0	0
State Admin	(3,127,821)	(3,127,821)	(14,292,822)
Miscellaneous Expense	248,132	248,132	(6,303,469)
Total DIRECT Expenses	659,645	659,645	(4,127,098)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	118,907	118,907	623,199
Printing	24,411	24,411	67,025
Postage	111,282	111,282	274,158
Legal Fees	79,148	79,148	142,550
Outside Services	537,649	537,649	2,364,908
Board & Committee Fees	23,967	23,967	95,293
Survey Fees	41,105	41,105	29,158
Telephone/Beepers/Cellular Phones	86,968	86,968	210,955
Books & Subscriptions	10,808	10,808	97,744
Minor Equipment	4,872	4,872	141,998
Computer Supplies	0	0	0
Dues, Fees & Licenses	173,332	173,332	134,119
Education & Seminars	11,213	11,213	71,989
Meals & Entertainment	5,192	5,192	27,882
Office Supplies	25,847	25,847	92,808
Travel	12,425	12,425	74,266
Miscellaneous Expense	35,836	35,836	170,522
Franchise, Excise & Property Taxes & Sales/Use Tax	41,987	41,987	84,085
Insurance	74,655	74,655	422,230
Leases & Rentals of equipment	15,093	15,093	98,157
Repairs/Maintenance Agreements	192,131	192,131	630,515
Relocation Expense Total	0	0	2,130
Training and Orientation Total	0	0	0
Temp/Contract Personnel	62,423	62,423	404,890
Covenant Management Fees	474,249	474,249	2,160,152
Total ALLOCATED Expenses	2,163,500	2,163,500	8,420,733
36. TOTAL ADMINISTRATION (Lines 31 to 36)	2,823,145	2,823,145	4,293,635
FIT & Excise Tax	(406,378)	(406,378)	(249,424)
37. Total Other Expenses:	(406,378)	(406,378)	(249,424)
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	72,962,698	72,962,698	243,884,739
39. NET INCOME (LOSS) (Line 4 less Line 38)	(788,853)	(788,853)	9,122,977

**CASH FLOW**

		1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>			
1.	Premiums collected net of reinsurance .....		
2.	Net investment income .....	894,031	2,663,701
3.	Miscellaneous income .....	1	4,822,730
4.	Total (Lines 1 through 3) .....	894,032	7,486,431
5.	Benefit and loss related payments .....	(170,843)	3,352,825
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	496,319	4,442,703
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses) .....	(406,378)	
10.	Total (Lines 5 through 9) .....	(80,902)	7,795,528
11.	Net cash from operations (Line 4 minus Line 10) .....	974,934	(309,097)
<b>Cash from Investments</b>			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	7,855,000	17,600,252
12.2	Stocks .....		
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....	19,388	(3,259)
12.7	Miscellaneous proceeds .....		
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	7,874,388	17,596,993
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	2,222,792	15,530,259
13.2	Stocks .....		
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....		
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	2,222,792	15,530,259
14.	Net increase (or decrease) in contract loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14) .....	5,651,596	2,066,734
<b>Cash from Financing and Miscellaneous Sources</b>			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....		
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....		
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....		
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	6,626,530	1,757,637
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year .....	1,798,632	40,995
19.2	End of period (Line 18 plus Line 19.1) .....	8,425,162	1,798,632

**Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:**

Description		Amount 1	Amount 2
20.0001	.....		

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1  Total	Comprehensive (Hospital & Medical)		4  Medicare Supplement	5  Vision Only	6  Dental Only	7  Federal Employees Health Benefit Plan	8  Title XVIII Medicare	9  Title XIX Medicaid	10  Stop Loss	11  Disability Income	12  Long-Term Care	13  Other
		2  Individual	3  Group										
Total Members at end of:													
1. Prior Year .....	117,734								117,734				
2. First Quarter .....	106,778								106,778				
3. Second Quarter .....													
4. Third Quarter .....													
5. Current Year .....													
6. Current Year Member Months .....	326,650								326,650				
Total Member Ambulatory Encounters for Period:													
7. Physician .....	215,812								215,812				
8. Non-Physician .....	116,118								116,118				
9. Total .....	331,930								331,930				
10. Hospital Patient Days Incurred .....	6,158								6,158				
11. Number of Inpatient Admissions .....	1,821								1,821				
12. Health Premiums Written .....													
13. Life Premiums Direct .....													
14. Property/Casualty Premiums Written .....													
15. Health Premiums Earned .....													
16. Property/Casualty Premiums Earned .....													
17. Amount Paid for Provision of Health Care Services ...	(170,843)								(170,843)				
18. Amount Incurred for Provision of Health Care Services .....	(170,843)								(170,843)				

**CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)**

Aging Analysis of Unpaid Claims						
1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 days	6 Over 120 Days	7 Total
Individually Listed Claims Unpaid					52	52
0199999 Individually Listed Claims Unpaid .....					52	52
0299999 Aggregate Accounts Not Individually Listed - Uncovered .....						
0399999 Aggregate Accounts Not Individually Listed - Covered .....						
0499999 Subtotals .....					52	52
0599999 Unreported claims and other claim reserves .....						(52)
0699999 Total Amounts Withheld .....						
0799999 Total Claims Unpaid .....						
0899999 Accrued Medical Incentive Pool And Bonus Amounts .....						

**UNDERWRITING AND INVESTMENT EXHIBIT**

**ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE**

Line of Business		Claims Paid Year to Date		Liability End of Current Quarter		5	6
		1	2	3	4	Claims Incurred in Prior Years (Columns 1+3)	Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
		On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year		
1.	Comprehensive (hospital & medical) .....						
2.	Medicare Supplement .....						
3.	Dental only .....						
4.	Vision only .....						
5.	Federal Employees Health Benefits Plan .....						
6.	Title XVIII - Medicare .....						
7.	Title XIX - Medicaid .....	(170,844)				(170,844)	
8.	Other health .....						
9.	Health subtotal (Lines 1 to 8) .....	(170,844)				(170,844)	
10.	Healthcare receivables (a) .....						
11.	Other non-health .....						
12.	Medical incentive pools and bonus amounts .....						
13.	TOTALS .....	(170,844)				(170,844)	

(a) Excludes \$. loans or advances to providers not yet expensed.



## Notes to Financial Statement

No significant changes or events have occurred since the most recent annual statement was filed.

17C. Wash Sales  
Not applicable

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES  
GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[ ] No[X]
- 1.2 If yes, has the report been filed with the domiciliary state?

Yes[ ] No[ ] N/A[X]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[ ] No[X]
- 2.2 If yes, date of change:

.....
3. Have there been any substantial changes in the organizational chart since the prior quarter end?

Yes[ ] No[X]
- If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[ ] No[X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....	.....	.....

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?

Yes[ ] No[ ] N/A[X]
- If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

.....12/31/2000.....
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

.....12/31/2000.....
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

.....12/12/2002.....
- 6.4 By what department or departments?
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes[ ] No[X]
- 7.2 If yes, give full information
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[ ] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[ ] No[X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
.....	.....	. Yes[ ] No[X] .	. Yes[ ] No[X] .	. Yes[ ] No[X] .	. Yes[ ] No[X] .	. Yes[ ] No[X] .

FINANCIAL

- 9.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[X] No[ ]
- 9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$.....

INVESTMENT

- 10.1 Has there been any change in the reporting entity's own preferred or common stock?

Yes[ ] No[X]
- 10.2 If yes, explain:
- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[ ] No[X]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$.....
13. Amount of real estate and mortgages held in short-term investments:

\$.....
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[ ] No[X]
- 14.2 If yes, please complete the following:

**GENERAL INTERROGATORIES (Continued)**

		1	2
		Prior Year-End Book/Adjusted Carrying Value	Current Quarter Statement Value
14.21	Bonds .....		
14.22	Preferred Stock .....		
14.23	Common Stock .....		
14.24	Short-Term Investments .....		
14.25	Mortgages Loans on Real Estate .....		
14.26	All Other .....		
14.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) .....		
14.28	Total Investment in Parent included in Lines 14.21 to 14.26 above .....		

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes[ ] No[X]  
Yes[ ] No[ ] N/A[X]

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Yes[X] No[ ]

1	2
Name of Custodian(s)	Custodian Address
The Northern Trust Company .....	50 LaSalle Street, Chicago, IL 60675 .....
First Tennessee Bank .....	Box 84 Safekeeping M-Level, Memphis, TN 38101 .....

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)
.....	.....	.....

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

16.4 If yes, give full and complete information relating thereto:

Yes[ ] No[X]

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason
.....	.....	.....	.....

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository	Name(s)	Address
108718 .....	Martin and Company .....	Two Centre Square, St 200 .....
.....	.....	625 S. Gay St, Knoxville, TN 37902-1669 .....

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

17.2 If no, list exceptions:

Yes[X] No[ ]

STATEMENT AS OF **March 31, 2006** OF THE **Preferred Health Partnership of Tennessee, Inc.**  
**SCHEDULE A - VERIFICATION**

Real Estate		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....		
2.	Increase (decrease) by adjustment .....		
3.	Cost of acquired .....		
4.	Cost of additions to and permanent improvements .....		
5.	Total profit (loss) on sales .....		
6.	Increase (decrease) by foreign exchange adjustment .....		
7.	Amount received on sales .....		
8.	Book/adjusted carrying value at end of current period .....		
9.	Total valuation allowance .....		
10.	Subtotal (Lines 8 plus 9) .....		
11.	Total nonadmitted amounts .....		
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column) .....		

**SCHEDULE B - VERIFICATION**  
**Mortgage Loans**

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year ....		
2.	Amount loaned during period:		
2.1	Actual cost at time of acquisitions .....		
2.2	Additional investment made after acquisitions .....		
3.	Accrual of discount and mortgage interest points and commitment fees .....		
4.	Increase (decrease) by adjustment .....		
5.	Total profit (loss) on sale .....		
6.	Amounts paid on account or in full during the period .....		
7.	Amortization of premium .....		
8.	Increase (decrease) by foreign exchange adjustment .....		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period .....		
10.	Total valuation allowance .....		
11.	Subtotal (Lines 9 plus 10) .....		
12.	Total nonadmitted amounts .....		
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column) .....		

**SCHEDULE BA - VERIFICATION**  
**Other Invested Assets**

		1	2
Description		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year .....		
2.	Cost of acquisitions during period:		
2.1	Actual cost at time of acquisitions .....		
2.2	Additional investment made after acquisitions .....		
3.	Accrual of discount .....		
4.	Increase (decrease) by adjustment .....		
5.	Total profit (loss) on sale .....		
6.	Amounts paid on account or in full during the period .....		
7.	Amortization of premium .....		
8.	Increase (decrease) by foreign exchange adjustment .....		
9.	Book/adjusted carrying value of long-term invested assets at end of current period .....		
10.	Total valuation allowance .....		
11.	Subtotal (Lines 9 plus 10) .....		
12.	Total nonadmitted amounts .....		
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3) .....		

**SCHEDULE D - VERIFICATION**  
**Bonds and Stocks**

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....	56,091,973	58,499,929
2.	Cost of bonds and stocks acquired .....	2,222,792	15,530,259
3.	Accrual of discount .....	(66,161)	47,654
4.	Increase (decrease) by adjustment .....		(38,704)
5.	Increase (decrease) by foreign exchange adjustment .....		
6.	Total profit (loss) on disposal .....	1	47,718
7.	Consideration for bonds and stocks disposed of .....	7,855,000	17,600,252
8.	Amortization of premium .....	16,990	394,631
9.	Book/adjusted carrying value, current period .....	50,376,615	56,091,973
10.	Total valuation allowance .....		
11.	Subtotal (Lines 9 plus 10) .....	50,376,615	56,091,973
12.	Total nonadmitted amounts .....		
13.	Statement value .....	50,376,615	56,091,973

**SCHEDULE D - PART 1B**  
**Showing the Acquisitions, Dispositions and Non-Trading Activity**  
**During the Current Quarter for all Bonds and Preferred Stock by Rating Class**

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 .....	55,517,819	29,888,926	28,255,000	(45,497)	57,106,248			55,517,819
2. Class 2 .....	1,453,243		800,000	(4,540)	648,703			1,453,243
3. Class 3 .....	677,229			(3,985)	673,244			677,229
4. Class 4 .....								
5. Class 5 .....								
6. Class 6 .....								
7. TOTAL Bonds .....	57,648,291	29,888,926	29,055,000	(54,021)	58,428,195			57,648,291
<b>PREFERRED STOCK</b>								
8. Class 1 .....								
9. Class 2 .....								
10. Class 3 .....								
11. Class 4 .....								
12. Class 5 .....								
13. Class 6 .....								
14. TOTAL Preferred Stock .....								
15. TOTAL Bonds & Preferred Stock .....	57,648,291	29,888,926	29,055,000	(54,021)	58,428,195			57,648,291

**SCHEDULE DA - PART 1**

**Short - Term Investments Owned End of Current Quarter**

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999. TOTALS .....	801,579	X X X	863,184		18,911

**SCHEDULE DA - PART 2 - Verification**

**Short-Term Investments Owned**

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....	1,556,318	
2.	Cost of short-term investments acquired .....		7,277,458
3.	Increase (decrease) by adjustment .....	(4,739)	(62,058)
4.	Increase (decrease) by foreign exchange adjustment .....		
5.	Total profit (loss) on disposal of short-term investments .....		(3,259)
6.	Consideration received on disposal of short-term investments .....	750,000	5,655,823
7.	Book/adjusted carrying value, current period .....	801,579	1,556,318
8.	Total valuation allowance .....		
9.	Subtotals (Lines 7 plus 8) .....	801,579	1,556,318
10.	Total nonadmitted amounts .....		
11.	Statement value (Lines 9 minus 10) .....	801,579	1,556,318
12.	Income collected during period .....		34,025
13.	Income earned during period .....	18,911	50,624

**15      Schedule DB Part F Section 1 ..... NONE**

**16      Schedule DB Part F Section 2 ..... NONE**

**17      Schedule S Ceded Reinsurance ..... NONE**

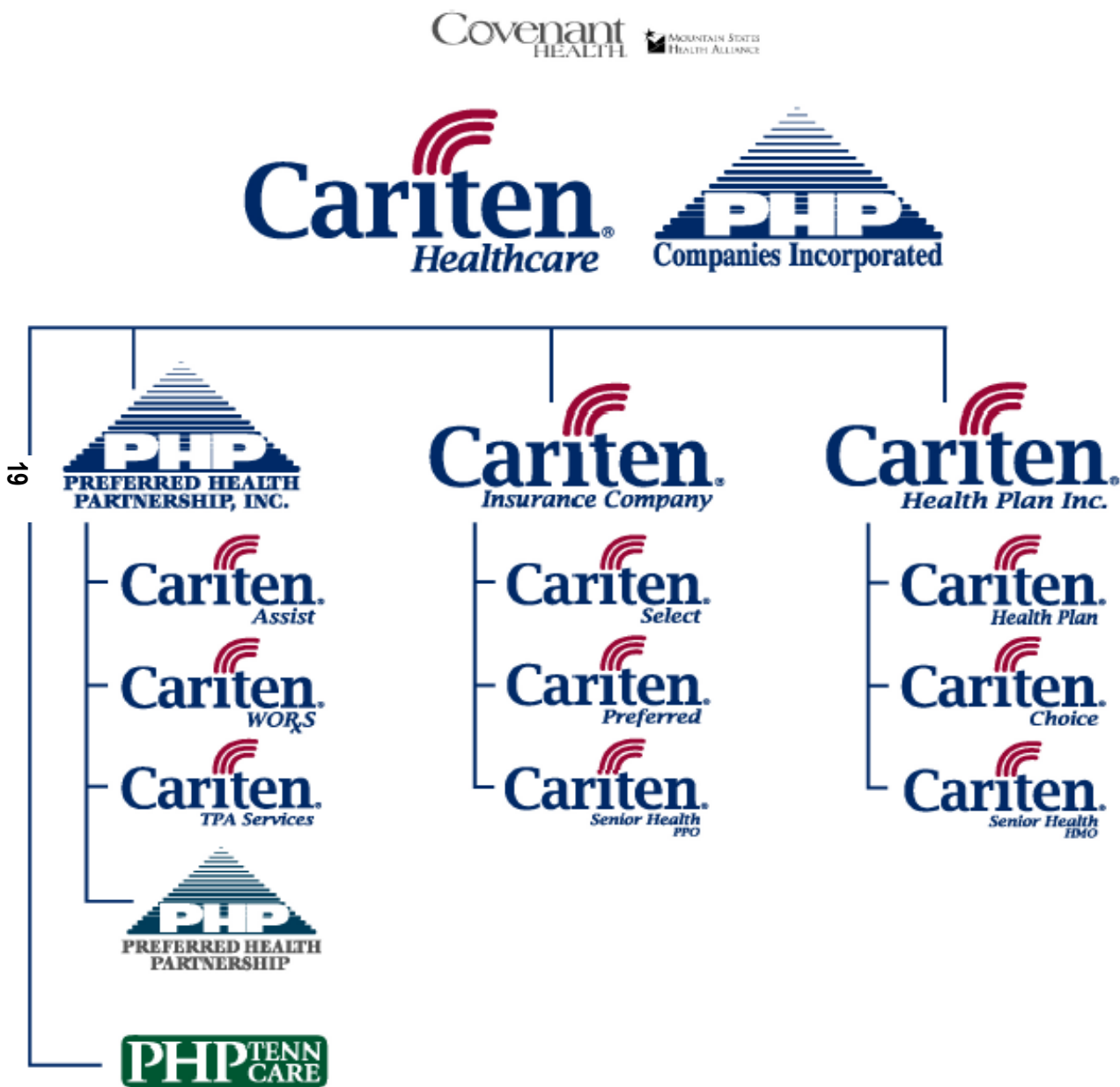
**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**  
**Allocated by States and Territories**

		1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only Year-to-Date					
				3  Accident and Health Premiums	4  Medicare Title XVIII	5  Medicaid Title XIX	6  Federal Employees Health Benefits Program Premiums	7  Life and Annuity Premiums and Deposit-Type Contract Funds	8  Property/ Casualty Premiums
State, Etc.									
1.	Alabama (AL)	No	No						
2.	Alaska (AK)	No	No						
3.	Arizona (AZ)	No	No						
4.	Arkansas (AR)	No	No						
5.	California (CA)	No	No						
6.	Colorado (CO)	No	No						
7.	Connecticut (CT)	No	No						
8.	Delaware (DE)	No	No						
9.	District of Columbia (DC)	No	No						
10.	Florida (FL)	No	No						
11.	Georgia (GA)	No	No						
12.	Hawaii (HI)	No	No						
13.	Idaho (ID)	No	No						
14.	Illinois (IL)	No	No						
15.	Indiana (IN)	No	No						
16.	Iowa (IA)	No	No						
17.	Kansas (KS)	No	No						
18.	Kentucky (KY)	No	No						
19.	Louisiana (LA)	No	No						
20.	Maine (ME)	No	No						
21.	Maryland (MD)	No	No						
22.	Massachusetts (MA)	No	No						
23.	Michigan (MI)	No	No						
24.	Minnesota (MN)	No	No						
25.	Mississippi (MS)	No	No						
26.	Missouri (MO)	No	No						
27.	Montana (MT)	No	No						
28.	Nebraska (NE)	No	No						
29.	Nevada (NV)	No	No						
30.	New Hampshire (NH)	No	No						
31.	New Jersey (NJ)	No	No						
32.	New Mexico (NM)	No	No						
33.	New York (NY)	No	No						
34.	North Carolina (NC)	No	No						
35.	North Dakota (ND)	No	No						
36.	Ohio (OH)	No	No						
37.	Oklahoma (OK)	No	No						
38.	Oregon (OR)	No	No						
39.	Pennsylvania (PA)	No	No						
40.	Rhode Island (RI)	No	No						
41.	South Carolina (SC)	No	No						
42.	South Dakota (SD)	No	No						
43.	Tennessee (TN)	No	Yes						
44.	Texas (TX)	No	No						
45.	Utah (UT)	No	No						
46.	Vermont (VT)	No	No						
47.	Virginia (VA)	No	No						
48.	Washington (WA)	No	No						
49.	West Virginia (WV)	No	No						
50.	Wisconsin (WI)	No	No						
51.	Wyoming (WY)	No	No						
52.	American Samoa (AS)	No	No						
53.	Guam (GU)	No	No						
54.	Puerto Rico (PR)	No	No						
55.	U.S. Virgin Islands (VI)	No	No						
56.	Northern Mariana Islands (MP)	No	No						
57.	Canada (CN)	No	No						
58.	Aggregate other alien (OT)	X X X	X X X						
59.	Subtotal	X X X	X X X						
60.	Reporting entity contributions for Employee Benefit Plans	X X X	X X X						
61.	Total (Direct Business)	X X X	(a) 1						
DETAILS OF WRITE-INS									
5801.		X X X	X X X						
5802.		X X X	X X X						
5803.		X X X	X X X						
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X	X X X						
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X	X X X						

(a) Insert the number of yes responses except for Canada and Other Alien.



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER  
MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART



**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
2104. ....	.....	.....	.....	.....
2197. Summary of remaining write-ins for Line 21 (Lines 2104 through 2196) .....	.....	.....	.....	.....

**E01      Schedule A Part 2 ..... NONE**

**E01      Schedule A Part 3 ..... NONE**

**E02      Schedule B Part 1 ..... NONE**

**E02      Schedule B Part 2 ..... NONE**

**E03      Schedule BA Part 1 ..... NONE**

**E03      Schedule BA Part 2 ..... NONE**

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
<b>Bonds - U.S. Governments</b>									
31359MH48 .....	FNMA PRE .....	.....	.... 03/17/2006 ....	NORTHERN TRUST .....	.... X X X ....	..... 1,494,750	..... 1,500,000.00	..... 6,193	1FE .....
665278107 .....	NORTHERN TRUST MM .....	.....	.... 03/01/2006 ....	NORTHERN TRUST .....	.... X X X ....	..... 728,042	..... 728,042.25	.....	1FE .....
0399999 Subtotal - Bonds - U.S. Governments .....					.... X X X ....	..... 2,222,792	..... 2,228,042.25	..... 6,193	.... X X X ....
6099997 Subtotal - Bonds - Part 3 .....					.... X X X ....	..... 2,222,792	..... 2,228,042.25	..... 6,193	.... X X X ....
6099998 Summary Item for Bonds Bought and Sold This Quarter .....					.... X X X ....	.... X X X ....	.... X X X ....	.... X X X ....	.... X X X ....
6099999 Subtotal - Bonds .....					.... X X X ....	..... 2,222,792	..... 2,228,042.25	..... 6,193	.... X X X ....
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter .....					.... X X X ....	.... X X X ....	.... X X X ....	.... X X X ....	.... X X X ....
7299998 Summary Item for Common Stock Bought and Sold This Quarter .....					.... X X X ....	.... X X X ....	.... X X X ....	.... X X X ....	.... X X X ....
7399999 Subtotal - Preferred and Common Stocks .....					.... X X X ....	.....	.... X X X ....	.....	.... X X X ....
7499999 Total - Bonds, Preferred and Common Stocks .....					.... X X X ....	..... 2,222,792	..... X X X ....	..... 6,193	.... X X X ....

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of  
by the Company During the Current Quarter

1	2	3 F o r e i g n	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description		Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments																					
3134A0TG7	FHLMC GLOBAL BD		01/19/2006	MATURED	X X X	2,905,000	2,905,000.00	2,768,374	2,905,000						2,904,999		1	1	86,424	01/19/2006	1FE
31359MHB2	FNMA		02/15/2006	MATURED	X X X	1,650,000	1,650,000.00	1,746,342	1,652,240		(2,240)		(2,240)		1,650,000				45,375	02/15/2006	1FE
3133MDJP9	FHLB FED HOME LN BK		03/06/2006	MATURED	X X X	2,500,000	2,500,000.00	2,596,625	2,510,171		(10,171)		(10,171)		2,500,000				64,063	03/06/2006	1FE
0399999 Subtotal - Bonds - U.S. Governments					X X X	7,055,000	7,055,000.00	7,111,341	7,067,411		(12,411)		(12,411)		7,054,999		1	1	195,861	X X X	X X X
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
254687AM8	DISNEY WALT CO		03/30/2006	NORTHERN TRUST	X X X	800,000	800,000.00	836,624	804,578		(4,578)		(4,578)		800,000				27,000	03/30/2006	2FE
4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					X X X	800,000	800,000.00	836,624	804,578		(4,578)		(4,578)		800,000				27,000	X X X	X X X
6099997 Subtotal - Bonds - Part 4					X X X	7,855,000	7,855,000.00	7,947,965	7,871,989		(16,989)		(16,989)		7,854,999		1	1	222,861	X X X	X X X
6099998 Summary Item for Bonds Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
6099999 Subtotal - Bonds					X X X	7,855,000	7,855,000.00	7,947,965	7,871,989		(16,989)		(16,989)		7,854,999		1	1	222,861	X X X	X X X
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
7299998 Summary Item for Common Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
7399999 Subtotal - Preferred and Common Stocks					X X X		X X X												X X X	X X X	X X X
7499999 Total - Bonds, Preferred and Common Stocks					X X X	7,855,000	X X X	7,947,965	7,871,989		(16,989)		(16,989)		7,854,999		1	1	222,861	X X X	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....

**E06      Schedule DB Part A Section 1 ..... NONE**

**E06      Schedule DB Part B Section 1 ..... NONE**

**E07      Schedule DB Part C Section 1 ..... NONE**

**E07      Schedule DB Part D Section 1 ..... NONE**

**SCHEDULE E - PART 1 - CASH**

**Month End Depository Balances**

1			2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
Depository			Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	*
							First Month	Second Month	Third Month	
<b>open depositories</b>										
Cash on Deposit .....	First Tennessee Bank .....	.....		4.500	8,920	.....	251,156	191,703	373,583	X X X
0199998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories .....			X X X	X X X ..						X X X
0199999 Totals - Open Depositories .....			X X X	X X X ..	8,920	.....	251,156	191,703	373,583	X X X
0299998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories .....			X X X	X X X ..						X X X
0299999 Totals - Suspended Depositories .....			X X X	X X X ..						X X X
0399999 Total Cash On Deposit .....			X X X	X X X ..	8,920	.....	251,156	191,703	373,583	X X X
0499999 Cash in Company's Office .....			X X X	X X X ..	X X X ..	X X X ..				X X X
0599999 Total Cash .....			X X X	X X X ..	8,920	.....	251,156	191,703	373,583	X X X



**SCHEDULE E - PART 2 - CASH EQUIVALENTS**

Show Investments Owned End of Current Quarter

1	2	3	4	5	6	7	8	9
CUSIP Identification	Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Gross Investment Income
<b>Total Cash Equivalents</b>								
61745LD51 .....	MORGAN STANLEY CP .....		03/30/2006 ...	0.000	04/05/2006 ...	7,250,000		
0199999 Total Cash Equivalents .....						7,250,000		

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EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199999 Total individuals						
0299998 Premium due and unpaid not individually listed						
0299999 Total group		NONE				
0399999 Premiums due and unpaid from Medicare entities						
0499999 Premiums due and unpaid from Medicaid entities						
0599999 Accident and health premiums due and unpaid (Page 2, Line 12)						

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199998 Subtotal - Pharmaceutical Rebate Receivables - Not Individually Listed						
0199999 Subtotal - Pharmaceutical Rebate Receivables						
0299998 Subtotal - Claim Overpayment Receivables - Not Individually Listed						
0299999 Subtotal - Claim Overpayment Receivables						
0399998 Subtotal - Loans and Advances to Providers - Not Individually Listed						
0399999 Subtotal - Loans and Advances to Providers		NONE				
0499998 Subtotal - Capitation Arrangements Receivables - Not Individually Listed						
0499999 Subtotal - Capitation Arrangements Receivables						
0599998 Subtotal - Risk Sharing Receivables - Not Individually Listed						
0599999 Subtotal - Risk Sharing Receivables						
0699998 Subtotal - Other Receivables - Not Individually Listed						
0699999 Subtotal - Other Receivables						
0799999 Gross health care receivables						

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current
Individually listed receivables							
Preferred Health Partnership Companies, Inc - Corp Rec	0		1,764	36,464	36,464	0	1,764
Preferred Health Partnership Inc. - I/C FIT Rec			37,354				37,354
Cariten Insurance Company - I/C FIT Rec		0	210,306				210,306
Cariten Health Plan, Inc. - I/C FIT Rec			0				0
Covenant Health							
0199999 - Total Individually Listed Receivables	0	0	249,424	36,464	36,464	0	249,424
0299999 - Receivables not individually listed							
0399999 - Total gross amounts receivable	0	0	249,424	36,464	36,464	0	249,424